Office Supreme Court, U.S.
FILED
SEP 17 1964
JOHN F. DAVIS, CLERK

In The

Supreme Court of the United States

October Term, 1964

No. 428

ALBERT LAPIN and LAPINAL, INC.,

Petitioners,

vs.

SHULTON, INC., and TECNIQUE, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION

LEONARD, STREET AND DEINARD
By: MELVIN H. SIEGEL
818 Farmers and Mechanics Bank Bldg.
Minneapolis, Minnesota 55402
Attorneys for Respondents

Northwest Brief Printing Co., 322 S. Fourth St., Minneapolis, 55415 9-4-64—30

SUBJECT INDEX

	Page
Opinions Below	1
Jurisdiction	1
Questions Presented	2
Statutes Involved	2
Statement of the Case	3
Argument	11
Conclusion	27

AUTHORITIES CITED

CASES:	Page
Anderson v. Abbott, 321 U.S. 349 (1944)	25
A. P. Bliss Co. v. United Car Fastener Co., 116 F. Supp. 291 (D. C., Mass., 1953), aff'd 213 F.2d 541 (C.A. 1, 1954)	24
Butler v. Ungerleider, 187 F.2d 238 (C.A. 2, 1951)	22
Cannon Manufacturing Co. v. Cudahy Packing Co., 267 U.S. 333 (1925)	24, 25, 26
Deposit Bank v. Frankfort, 191 U.S. 499 (1903)	15, 17, 19
Hadden v. Rumsey Products, 196 F.2d 92 (C.A. 2, 1952)	13, 20, 21, 22
Harris v. Deere & Co., 128 F. Supp. 799 (E.D. N.C., 1955), aff'd 223 F.2d 161 (C.A. 4, 1955)	24
Hazel-Atlas Glass Co. v. Hartford-Empire Co., 322 U.S. 238 (1944)	13, 19, 20
Johnson v. St. Louis, I. M. & S. R. Co., 141 U.S. 602 (1891)	14
Milw. and Minn. R. Co. v. Soutter, 2 Wall. (U.S.) 609 (1865)	22
Niles-Bement-Pond Co. v. Iron Molders' Union, 254 U.S. 77 (1920)	24, 25
Pacific Railroad v. Missouri Pacific Railway, 3 Fed. 772 (C.C. E.D. Mo., 1880)	22
Sayers v. Burkhardt, 85 Fed. 246 (C.A. 4, 1898)	13, 20, 22
State of Pennsylvania v. The Wheeling & Belmont Bridge Co., 18 How. (U.S.) 421 (1856)	16
System Federation No. 91, Railway Employees Dept. v. Wright, 364 U.S. 642 (1961)	15, 17, 19
Torquay Corp. v. Radio Corp. of America, 2 F. Supp. 841 (S.D. N.Y., 1932)	17, 19
United States v. Swift & Co., 286 U.S. 106 (1932)	16
United States v. Throckmorton, 98 U.S. 61 (1878)	14
United States v. Yellow Cab Co., 332 U.S. 218 (1947)	25

RULES: Page

Federal Rules of Civil Procedure:

Rule 43(e) 26

Rule 59 26

Rule 60(b) 11, 12, 13, 14, 15, 17, 18, 19, 21

Rule 60(b)(5) 18

Rule 60(b)(1-6) 21

STATUTES:

Title 28, U.S.C., sec. 1963 ..... 18, 20

TEXTBOOKS:

9 Fletcher Cyclopedia of Corporation (Perm. Ed.), sec. 4473 23

3 Moore's Federal Practice (2d Ed.), sec. 19.12 24

6 Moore's Federal Practice (2d Ed.), sec. 59.04(13) 26

7 Moore's Federal Practice (2d Ed.):

sec. 60.16(2) 11

sec. 60.18(5) 11, 16

sec. 60.28 18

sec. 60.33 ..... 19, 22

sec. 60.34 16

sec. 60.36 14

sec. 60.37(1) 12, 19

sec. 60.37(2) 12, 14, 19, 21, 22

sec. 60.38(2) 22

sec. 60.38(3) 21

In The

Supreme Court of the United States

October Term, 1964

No.....

ALBERT LAPIN and LAPINAL, INC.,
Petitioners,

vs.

SHULTON, INC., and TECNIQUE, INC.,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION

OPINIONS BELOW

The opinion of the Court of Appeals for the Ninth Circuit is reported at 333 F.2d 169. The order and memorandum of the District Court, entered December 4, 1962, is not reported but is reproduced in Appendix B to the Petition (Pet., App., p. 9). The order and memorandum of that court on re-hearing, entered April 29, 1963, is not reported, but is reproduced in Appendix C to the Petition (Pet., App., p. 12).

JURISDICTION

The jurisdictional requisites are adequately set forth in the Petition.

QUESTIONS PRESENTED

In 1951, the United States District Court for the District of Minnesota issued a decree of injunction against petitioners, all rights to which were assigned in 1959 to respondent Tecnique, Inc., a wholly-owned subsidiary of respondent Shulton, Inc. In 1962, petitioners commenced an independent action in the United States District Court for the Southern District of California to dissolve the injunction, on the alleged ground that its prospective operation would be inequitable by reason of changed conditions arising since the issuance of the 1951 injunction.

The sole question presented is whether the latter court should decline to entertain an "independent action" under the saving clause of Rule 60(b), *F.R.C.P.*, for relief on the ground alleged, where an adequate remedy is available by "motion" in the issuing court under Rule 60(b)(5), *F.R.C.P.*

STATUTES INVOLVED

Rule 60(b), *F.R.C.P.*, provides:

> "Rule 60. Relief From Judgment or Order. • • • (b) *Mistakes; Inadvertence; Excusable Neglect; Newly Discovered Evidence; Fraud, etc.* On motion and upon such terms as are just, the court may relieve a party or his legal representative from a final judgment, order, or proceeding for the following reasons: (1) mistake, inadvertence, surprise, or excusable neglect; (2) newly discovered evidence which by due diligence could not have been discovered in time to move for a new trial under Rule 59(b); (3) fraud (whether heretofore denominated intrinsic or extrinsic), misrepresentation, or other misconduct of an adverse party; (4) the judgment is void; (5) the judgment has been satisfied, released, or discharged, or a prior judgment upon which it is based has been reversed or otherwise vacated, or it is no longer equitable that the judgment should have prospective application; or (6) any other reason justifying re-

lief from the operation of the judgment. The motion shall be made within a reasonable time, and for reasons (1), (2), and (3) not more than one year after the judgment, order, or proceeding was entered or taken. A motion under this subdivision (b) does not affect the finality of a judgment or suspend its operation. This rule does not limit the power of a court to entertain an independent action to relieve a party from a judgment, order, or proceeding, or to grant relief to a defendant not actually personally notified as provided in Title 28, U.S.C., §1655, or to set aside a judgment for fraud upon the court. Writs of coram nobis, coram vobis, audita querela, and bills of review and bills in the nature of a bill of review, are abolished, and the procedure for obtaining any relief from a judgment shall be by motion as prescribed in these rules or by an independent action. As amended Dec. 27, 1946; Dec. 29, 1948, eff. Oct. 20, 1949."

STATEMENT OF THE CASE

Petitioners commenced this action in the United States District Court for the Southern District of California, Central Division, to dissolve a decree of injunction entered on July 5, 1951 by the United States District Court for the District of Minnesota, Fourth Division, in the case of *Albert Lapin, et al., v. LaMaur, Inc.*, No. 3232, Civil, in the files of that court. For brevity, the decree so entered is hereinafter referred to as the "Minnesota decree," the District Court which entered it as the "Minnesota court," and the District Court in which this action was commenced the "California court."

A brief description of the facts and circumstances leading to the issuance of the Minnesota decree will serve to clarify the issues raised in this proceeding.

On November 22, 1947, petitioners Albert Lapin and his three brothers, Isadore, Samuel and Harold Lapin, granted LaMaur, Inc. (hereinafter for brevity referred to as "La-

Maur"), an exclusive license to manufacture and sell a hair dye, "Tecnique," in accordance with formulas and processes represented by the Lapins to be secret, together with any "improvements" therein (R. 27, 31, 32).[1]

Thereafter, the Lapins commenced an action in the Minnesota court to cancel the license (R. 22). In a counterclaim, LaMaur alleged that the Lapins, through a wholly-owned corporate instrumentality then known as Lapinol, Inc. (now Lapinal, Inc.), one of petitioners herein, had sold hair dyes manufactured in accordance with the formula licensed to LaMaur, in violation of the exclusive license agreement (R. 52).

After hearing, the Minnesota court, Judge Gunnar H. Nordbye presiding, held that the license agreement had not been duly canceled (R. 87). It further found that the Lapins had in fact, and in violation of the exclusive license agreement with LaMaur, manufactured a hair dye containing "qualitatively" some or all of the same ingredients disclosed in the formulas licensed to LaMaur; and that, even if the combination of such ingredients in the product manufactured by the Lapins was different "quantitatively" from that disclosed in the formulas licensed to LaMaur, the formulas and processes used in the manufacture of Lapinol were an "improvement" thereof, covered by the license agreement (R. 72-3).

On December 30, 1950, in accordance with its findings, the Minnesota court entered a decree enjoining the Lapins for the duration of the license agreement, directly or through its corporate instrumentality, petitioner Lapinal, Inc. (then

---

[1]The transcript of record consists of three volumes. In this brief, Volume 1 is cited as "R. ....." and Volumes 2 and 3 are cited as "R. Vol. ..... p. ....." except that the reporter's transcript of the proceedings had on November 20, 1962 in the District Court, included in Volume 3, is cited as "Rep. Tr." with the pagination of the original transcript. The Petition is cited as "Pet., p. ....." and the Appendices thereto as "Pet. App., p. ....."

known as Lapinol, Inc.), from manufacturing Lapinol (or Lapinal) in competition with LaMaur (R. 75, 88).

Negotiations for settlement ensued, which culminated in a stipulation dated July 2, 1951, under which the parties canceled the license agreement of November 22, 1947, and the Lapins, for a consideration of $2,500.00 and a release of all claims and demands of LaMaur for damages or other relief, save that reserved in the stipulation, sold to LaMaur the hair dye and the formulas and processes which were the subject-matter of the license agreement (R. 89, 91, 190, 191).

The stipulation provided that the Lapins would not disclose the formulas for the manufacture of "Lapinol" or "Lapinal" or authorize the manufacture thereof, with the proviso that this covenant should not be construed to prevent petitioner Albert Lapin, directly or through petitioner Lapinal, Inc., from manufacturing the same so long as Albert Lapin continued to be the principal officer of that corporation and the owner of a majority of each class of its shares or other securities (R. 92).

The stipulation provided that it "shall be binding upon and inure to the benefit of the heirs, executors, legal representatives, successors and assigns of the respective parties hereto" (R. 95).

On July 5, 1951, on application of LaMaur and in conformity with the stipulation, an amended decree of injunction was entered, enjoining the use or disclosure of the formulas and processes involved, subject to the proviso that the injunction would not extend to the manufacture of Lapinol or Lapinal by petitioners Albert Lapin or Lapinal, Inc., so long as Albert Lapin continued as the principal executive officer of the mentioned corporation and owned the majority of its issued shares or other securities (R. 96). The order and decree of July 5, 1951 in this respect is correctly set forth in the Petition (pp. 6-8).

On December 17, 1959, LaMaur tranferred the formulas and processes for the manufacture of Tecnique and all its right, title and interest in the Minnesota decree to Tecnique, Inc., a Minnesota corporation ("Tecnique of Minnesota") (R. 192, 196). The latter corporation, on the next day, December 18, 1959, transferred all the property and interests so acquired to respondent Tecnique, Inc., a New Jersey corporation ("Tecnique of New Jersey") (R. 194, 198), a wholly-owned subsidiary of respondent Shulton, Inc.

Tecnique of New Jersey had been organized by Shulton, Inc. on August 19, 1959 (R. 164) for the purpose of acquiring and continuing the business of Tecnique of Minnesota (R. 265-6). On that date, according to respondents' verified answers to petitioners' interrogatories (R. 165, 169), stock purchase agreements were executed for the sale of all the capital stock of Tecnique of Minnesota to Tecnique of New Jersey (R. 165). Other evidence, petitioners claim, supports the inference that the capital stock of Tecnique of Minnesota was transferred, not to Tecnique of New Jersey, but to respondent Shulton, Inc., so that on December 17 and 18, 1959, when Tecnique of Minnesota acquired the rights of LaMaur, Inc. in the Minnesota decree and re-assigned them to Tecnique of New Jersey, both the Minnesota and the New Jersey corporations were wholly-owned subsidiaries of Shulton, Inc. (Pet., pp. 24-28).

On July 7, 1962, petitioners filed a complaint in the United States District Court for the District of Southern California, alleging that both Shulton, Inc. and Tecnique of New Jersey maintained places of business in Los Angeles County (R. 2); that Tecnique of New Jersey is a wholly-owned subsidiary of Shulton, Inc. (R. 2); and that changed conditions since 1951 made the prospective application of the Minnesota decree inequitable (R. 7).

The action was brought under Rule 60(b) of the *Federal Rules of Civil Procedure* (R. 3) and prayed for judgment "dissolving the injunction issued on July 5, 1951 by the United States District Court for the District of Minnesota, Fourth Division, in Civil Action File No. 3232" (R. 7).

Service on Tecnique of New Jersey was sought to be made by service of a copy of the complaint on one Norton M. Breiseth, the Regional Manager of Shulton, Inc. in Los Angeles (R. 225).

On August 12, 1962, respondents filed a joint answer to the complaint which, among other things, recited the prior proceedings had in the Minnesota court and specifically "den[ied] that defendant Tecnique, Inc. maintains a place of business in the County of Los Angeles, State of California" (R. 8) or that "this action is maintainable in this Court under Rule 60(b) of the Federal Rules of Civil Procedure" (R. 8). The answer set forth as affirmative defenses that the action was maintainable only in the Minnesota court and that Tecnique of New Jersey was an indispensable party but did no business in the County of Los Angeles, State of California and was not duly served (R. 20-1).

On September 6, 1962, petitioners served on respondents 124 interrogatories (R. 100-23). Interrogatories 1-41 related to jurisdictional facts, such as the employment of personnel by Technique of New Jersey in California and its relations with Shulton, Inc. All of these interrogatories were answered on October 26, 1962, save and except a part of Interrogatory 26 (as to the price paid by Shulton, Inc. for certain shares of stock), which was objected to as immaterial (R. 159-69).

From the verified answers of respondents to petitioners' interrogatories 1 through 41, it appeared that Tecnique of New Jersey had no employees operating in California since September, 1959 (R. 159); that it maintained no stock of

merchandise in California (R. 160); and that Shulton, Inc. had not at any time since 1959 solicited any orders or otherwise conducted business in California on behalf of Tecnique of New Jersey (R. 160). It further appeared that Tecnique of New Jersey maintained books of account and bank accounts separate from those of Shulton, Inc. (R. 161), as well as a separate sales force and administrative staff (R. 161), although it occupied the same premises as defendant Shulton, Inc. in New Jersey, maintained no manufacturing or warehouse facilities separate from those of Shulton, Inc. (R. 161), and the majority of its Board of Directors and officers were also officers and directors of Shulton, Inc. (R. 162-3).

The remaining interrogatories, 42-124, related to the chemical formulas used in the manufacture of Tecnique; the chemical and competitive relation of Tecnique to other competing products manufactured by ten or more other concerns; the volume of defendants' business in the sale of Tecnique and the amounts expended for advertising the same; and requested particulars as to various defenses alleged in the answer. On October 15, 1962, all interrogatories 42-124 were objected to by respondents (R. 125-50), and the objections were set down for hearing on November 19, 1962.

On November 14, 1962, respondents moved to dismiss the complaint and noticed the motion for hearing on November 19, 1962 (R. 179). The grounds recited in the motion and supporting papers were that the service of process on Tecnique of New Jersey was invalid and that corporation was an indispensable party (R. 179-181), and that the action to dissolve the Minnesota decree was maintainable only in the

Minnesota court where the decree was originally issued (R. 201, 204).[2]

With respect to the second ground of the motion, counsel for petitioners stated that no motion for relief was made in the Minnesota court because "I have no desire to go back before Judge Nordbye, not the least. Judge Nordbye in his transcript (of the original trial) calls my man (petitioner Lapin) a... artist and their man (Mr. Pass, formerly of LaMaur, now president of Tecnique of New Jersey) a genius" (Rep. Tr., p. 70), and because petitioners allegedly could not afford the expense of a proceeding in the Minnesota court (Rep. Tr., p. 72).

On December 4, 1962, after argument, the District Court entered its order granting respondents' motion to dismiss (R. 225) upon the ground that Tecnique was the apparent owner of the decree of injunction sought to be dissolved and therefore an indispensable party and had not been duly served (R. 226-7). The court added that, while the foregoing was determinative of the matter, the court was "of the opinion that the relief sought by the plaintiff should only be sought by motion in the District Court where the original decree was issued" (R. 227).

On December 12, 1962, petitioners moved to amend and modify the judgment pursuant to Rule 59 *F.R.C.P.* and prayed for an order as follows (R. 234, 237):

1. For a re-hearing so as to permit petitioners to make a matter of record the documents referred to in argument of petitioners' counsel (R. 234).

---

[2]Although the second ground was inadvertently omitted from the motion itself, it was set forth in the accompanying "Statement of Reasons in Support of This Motion" (R. 180-1) and petitioners consented to argue and did argue this ground of the motion, on the condition, which the District Court granted, that they be permitted to file their memorandum after the hearing. (Rep. Tr. 2, pp. 11-13, 50-1).

2. To grant petitioners leave to take additional evidence by deposition or affidavit on the issues of jurisdiction raised by the motion to dismiss (R. 234, 257).

3. To grant petitioners a plenary trial on the jurisdictional issues on the ground that they overlapped in material part the substantive issues of fact involved in the merits (R. 234, 261).

4. To modify the judgment so as to provide that the same would be "without prejudice" (R. 234, 257).

On April 29, 1963, the District Court overruled the motion for re-hearing, excepting that it permitted the record to show that the documents referred to by petitioners' counsel at the argument on the motion to dismiss were formally made a part of the record, and modified the judgment so as to provide that the same was "without prejudice to the bringing of another action when and if it appears that the court can obtain jurisdiction of the defendant Tecnique, Inc." (R. 273, 278).

The District Court stated that in its original order of December 4, 1962, it had "made no finding that Tecnique of New Jersey is in legal effect the owner of the decree of injunction," but that "the purport of that Order is that, because of its *apparent* ownership, Tecnique of New Jersey is an indispensable party to any action which seeks to extinguish such injunction and consequently the rights therein" (R. 276). The court added that, "Being of the opinion that the present action is properly maintainable only in the District Court where the decree of injunction was rendered * * *, I cannot feel that failure to treat Tecnique as a sham at this time leads to an inequitable result" (R. 277).

In affirming the dismissal, the court below found it unnecessary to consider whether Tecnique of New Jersey was an indispensable party and had not been properly served. The

court below held, however, that so long as it is "apparent that a remedy is available" in the issuing court, another court should decline jurisdiction "in such a case as this" (Pet. App. p. 7). The grounds of its decision are fully discussed in the Argument.

ARGUMENT

The decision below presents no question warranting review by this Court. Petitioners' argument to the contrary misconceives both the plain purpose of the 1946 amendments to Rule 60(b) and the grounds of the decision below.

As originally worded, Rule 60(b) authorized relief from a judgment by "motion" in the rendering court only on the grounds of "mistake, inadvertence, surprise, or excusable neglect," but contained a clause saving to the courts the power to grant relief in an "action," a term which was usually construed to include, not only an "independent action," but also proceedings under the old ancillary writs and bills of review which afforded relief on other grounds in the rendering court. 7 Moore's *Federal Practice* (2d Ed.), sec. 60.16(2), pp. 74-5. The substantive grounds for relief under the old ancillary remedies, however, were "shrouded in ancient lore and mystery," and the procedural practice for obtaining the relief which they afforded was left undefined. *Id.*, sec. 60.18(5), pp. 206-9 (Advisory Committee Report). These defects were removed by the 1946 amendments to the Rule.

Rule 60(b) as amended sets forth five specific grounds, and a sixth general one, for relief from a judgment by "motion" in the court in which the judgment was entered. One of these is that "(5) * * * it is no longer equitable that the judgment should have prospective application." It is this provision, significantly, on which, so petitioners assert, the present action was based (Pet. pp. 3, 9, 17).

Rule 60(b) adds a saving clause stating that "This rule does not limit the power of a court to entertain an independent action to relieve a party from a judgment, * * *." The amended Rule concludes with a provision abolishing the old writs and bills of review and specifying that the "procedure" for obtaining "any relief from a judgment" shall be "by motion as prescribed in these rules or by an independent action," without restating the substantive bases "prescribed" for a "motion" or stating any ground for an "independent action."

The amended Rule 60(b) thus made "no attempt" to "state the substantive bases for such an (independent) action," and "These are determined by past judicial decision and future evolution, through the judicial process, of equitable remedies." *Id.*, sec. 60.37(1), pp. 606-7.

The question presented is thus, not whether Rule 60(b) purports to authorize an independent action on the same substantive grounds as those "prescribed in these rules" for a "motion" in the rendering court, as petitioners seem to claim—plainly it does not—but whether "under established equitable principles," as judicially determined (*id.*, sec. 60.37(2), p. 625), a non-rendering court may or should exercise jurisdiction on the grounds here alleged, where an adequate remedy is available in the issuing court.

The court below held that, in the light of past precedent and a "sound policy" not to "interfere" with the "inherent power of the issuing court" to "supervise its continuing decree", the interests of "comity and orderly administration of justice" demand that another court should "decline jurisdiction" in "such a case as this," so long as "it is apparent that a remedy is available" in the issuing court (Pet. App. pp. 5-7). The court below did "not" hold that other courts lack "all jurisdiction" of an independent action based on such grounds, much less of one based on any other ground for relief not

touching the continuing supervision of the issuing court (Pet. App. p. 7).

The decision below is thus a narrow one, and presents no question of importance. Petitioners' claim that the "reasoning" of the court below unduly restricts the scope of relief "in every case" in the federal courts (Pet. p. 11) misconceives the effect of Rule 60(b) and the ruling below. See *infra*, p. 14. Petitioners proceed on the same misconception in asserting (Pet. pp. 14-17) that the decision below conflicts with that of this Court in *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238 (1944), upholding the power of a United States Court of Appeals to vacate its own judgment rendered at a prior term of court "upon proof that fraud was perpetrated upon it" (322 U.S. at 239), and with the decisions in other circuits in *Hadden v. Rumsey Products*, 196 F.2d 92 (C.A. 2, 1952), and *Sayers v. Burkhardt*, 85 Fed. 246 (C.A. 4, 1898), sustaining the power of a non-rendering court to enjoin enforcement of a judgment in an independent action because of other types of "fraud." See *infra*, pp. 19-20. Petitioners' claim that an adequate remedy is not available in the Minnesota court on the special "facts of this case" (Pet. p. 17) presents no question of importance, and ignores settled principle: the ancillary jurisdiction of the Minnesota court would support service of process on Tecnique of New Jersey, as assignee of all rights under the Minnesota decree, and the parent corporation, Shulton, Inc., would not be a necessary party. See *infra*, p. 22.

Finally, petitioners' claim that the District Court erred in finding that Tecnique of New Jersey was an indispensable party in the California action and had not been duly served there (Pet. pp. 21-35), was not passed upon by the court below, turns on the special facts of this case, and presents no question of importance. The District Court's decision, moreover, was correct. See *infra*, p. 23.

1. No question of importance is presented. The decision below is limited to the facts of this case. It holds only that where there is an adequate remedy by motion in the issuing court to dissolve an injunction because of changed conditions which render its prospective application inequitable, the non-rendering court should decline jurisdiction of an independent action to grant relief on such grounds, in the interest of "comity and orderly administration of justice" (Pet. App. p. 7).

There is no warrant for petitioners' claim that the "reasoning" of the court below presents a broader question affecting "every action" in the federal courts (Pet. p. 11). The argument that the court below has "rigorously restricted" the purpose of amended Rule 60(b) (Pet. p. 11) misconceives the purpose of that Rule (see *supra*, pp. 11-12) and the nature of the ruling below. The court below expressly recognized that relief in an independent action in a non-rendering court operates "only upon the parties and not on the decree itself" (Pet. App. p. 6); refrained from holding that the non-rendering court lacked all jurisdiction to dissolve an injunction even on the ground of changed conditions, in the absence of an adequate remedy available in the issuing court; and placed no limitation on the power of any court to entertain an independent action on any other ground not touching the power of the issuing court to supervise its continuing decrees (*Cf. Johnson v. St. Louis, I. M. & S. R. Co.*, 141 U.S. 602 (1891) (money judgment satisfied after entry); *United States v. Throckmorton*, 98 U.S. 61 (1878) (extrinsic fraud); 7 Moore's *Federal Practice* (2nd Ed.), sec. 60.36, pp. 602-4), though there is eminent authority that the non-rendering court "in the exercise of a sound discretion could refuse to proceed" even in such cases, where the remedy in the issuing court is plain, adequate, and complete. *Id.*, sec. 60.37(2), p. 624.

Petitioners' further argument in support of the same claim, that the "reasoning" of the court below improperly

"infused into the clear language of the rule the subtleties and confusions of the old common law writs and equitable remedies" (Pet., p. 11), exceeds the bounds of fair comment. The court below, while stating that the saving clause of Rule 60(b) "does not purport to grant new power and authority not theretofore recognized," also stated that it preserved the powers which the courts had theretofore been free to exercise under the specified writs "or otherwise" (Pet. App., p. 4). Petitioners simply omit the words "or otherwise" in attempting to assign a reason for granting the writ (Pet., p. 11). The court below found no precedent in the former writs or bills of review for an independent action in another court such as this one (Pet. App., pp. 4-5), as petitioners assert (Pet., p. 12). But, as petitioners again omit to mention, the court below also relied on past precedent specifically denying such relief in an independent action (in *Deposit Bank v. Frankfort*, 191 U.S. 499, 512 (1903)), and stressed the "sound reasons of policy" announced in *System Federation No. 91, Railway Employees' Dep't. v. Wright*, 364 U.S. 642, 647 (1961), in concluding that, for a non-rendering court to entertain an action such as this, would "be seriously to interfere with, and substantially to usurp, the inherent power of the issuing court * * * to supervise its continuing decree" (Pet. App., pp. 3, 5-7).

Petitioners then contrast their distorted version of the opinion below with a misleading excerpt from the Report of The Advisory Committee recommending the amendments made to Rule 60(b) in 1946 to show a need for corrective action by this Court. But even the limited portion of that Report quoted by petitioners states that the Committee endeavored only to permit "the granting of various kinds of relief which were permitted in the Federal Courts prior to the adoption of these rules" (See Pet., pp. 13-14), a statement which accords with the conclusion of the court below.

The same portion of the Report also states that the amendments abolished the old ancillary writs and equitable remedies and required the "practice to be by motion or by independent action (See Pet., p. 14). But nothing in it forbids reference to the former remedies "as an aid to an intelligent understanding" of the "aims" of the amended Rule (7 Moore's *Federal Practice* (2d Ed.), sec. 60.34, p. 515). And the full text of the Report makes clear, moreover, that, while the amendments substantially revised the grounds for a "motion" in the rendering court, they made no change whatever in the basis for an "independent action" in any court. *Id.*, sec. 60.18(5), pp. 206-9.

It need only be added that on the narrow issue actually decided by the court below, the decision accords with precedent and settled practice and principles long established by this Court, both in its result and its reasoning, and presents no novel question calling for review by this Court.

Courts of equity have always possessed an "inherent" jurisdiction to modify or set aside a decree of injunction because of changed circumstances occurring after the term in which the decree was entered, as the court below pointed out (Pet. App., pp. 2-3) and petitioners neglect to mention. *United States v. Swift & Co.*, 286 U.S. 106, 114-15 (1932); *State of Pennsylvania v. The Wheeling & Belmont Bridge Co.*, 18 How. (U.S.) 421 (1856). Resort to the "inherent" jurisdiction of the issuing court in such cases has in fact always provided an adequate remedy. So far as we are aware, there have been no reported cases prior to this one since the adoption of the Federal Rules of Civil Procedure in which relief from prospective operation of a decree of injunction because of changed circumstances has ever been sought in any court other than the issuing court, and only one in which relief was sought in such an action on that ground before the promulgation of the Rules, and in that case, as petitioners neg-

lect to mention, relief was denied and the claimant was required to resort to his remedy in the issuing court. *Deposit Bank v. Frankfort*, 191 U.S. 499, 512 (1903); *Cf. Torquay Corp. v. Radio Corp. of America*, 2 F. Supp. 841, 844 (S.D. N.Y., 1932). The former bill of review, abolished by the 1946 amendments to Rule 60(b), was required to be filed in the issuing court, as the court below pointed out (Pet. App., p. 5), and, so petitioners insist, afforded no relief in cases such as this one (Pet., p. 19).

As the court below concluded, moreover, and petitioners again omit to mention, "sound reasons of policy support the proposition that relief should be sought from the issuing court" (Pet. App., p. 6), in accordance with established practice. The "source of the power to modify" a decree of injunction, as this Court held in *System Federation No. 91, Railway Employees Dep't. v. Wright*, 364 U.S. 642, 647 (1961), "is, of course, the fact that an injunction often requires continuing supervision by the issuing court and always a continuing willingness to apply its powers and processes on behalf of the party who obtained that equitable relief." It was this reason which led the court below to conclude, quite properly, that "for a non-issuing court to entertain an action for such relief would be seriously to interfere with, and substantially to usurp, the inherent power of the issuing court * * * to supervise its continuing decree by determining from time to time whether and how the decree should be supplemented, modified or discontinued, in order properly to adapt it to new or changing circumstances" (Pet. App., pp. 6-7).

To entertain such an action, moreover, would be to invite the losing party to shop around for a more favorable forum to re-litigate, in substance, if not in terms, the issues determined in the original action, and to obtain a more favorable decree. In the District Court, counsel for petitioners quite frankly stated that one reason he had not moved for ancillary

relief in the issuing court was that "I have no desire to go back before Judge Nordbye, not the least. Judge Nordbye in his transcript (of the original trial) calls my man (petitioner Lapin) an artist and their man (Mr. Pass, formerly of La-Maur and now president of Tecnique of New Jersey) a genius" (Rep. Tr. 70).

Nothing in the clear language of Rule 60(b) requires or permits what precedent and policy forbid. In so holding, the court below merely gave effect to the plain language of the Rule and to settled principles. Rule 60(b)(5) unequivocally provides that on "motion" and on such terms as are just, the "court" may relieve a party "from a final judgment" because "it is no longer equitable that the judgment should have prospective application." It is under this provision, according to petitioners, that the present proceeding was brought (Pet., pp. 3, 9, 17). But beyond dispute the "court" referred to in Rule 60(b)(5) is the one "in which the judgment was rendered" and, where the judgment is registered in another district pursuant to Title 28, *U.S.C.*, sec. 1963, possibly in that court, as well. See 7 Moore's *Federal Practice* (2d Ed.), sec. 60.28, pp. 312-16.

The claim, implicit throughout the petition, and made expressly by petitioners in the District Court, that "Rule 60 (b)" also gives a litigant "a right to bring an independent action to get relief from the prospective effects of an injunction" (Rep. Tr., p. 52) simply ignores the clear language of the Rule and its generally accepted construction.

Rule 60(b), as the court below recognized (Pet. App., pp. 3-4), contains an express saving clause stating that "This rule does not limit the power of a court to entertain an independent action to relieve a party from a judgment". But the saving clause, unlike the preceding provisions specifying the grounds of a "motion" in the rendering court, makes "no attempt * * * to state the substantive bases for such an

[independent] action," which must thus be "determined" by "past judicial decision" and, in the view most favorable to petitioners, "future evolution, through the judicial process, of equitable principles." 7 Moore's *Federal Practice* (2d Ed.), sec. 60.37(1), pp. 606-7. And past precedent *(Deposit Bank v. Frankfort, supra; Cf. Torquay Corp. v. Radio Corp. of America, supra)* and sound considerations of policy clearly expressed in *System Federation No. 91, Railway Employees Dep't. v. Wright, supra*, as the court below correctly reasoned, both demand that the non-rendering court decline to exercise jurisdiction in a case such as this, where an adequate remedy is available in the issuing court. See 7 Moore's *Federal Practice* (2d Ed.), sec. 60.37(2), p. 624.

2. The decision below is not in conflict with that of this Court in *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238 (1944), on which petitioners rely (Pet., pp. 16-17). In that case, this Court held that a United States Court of Appeals, "upon proof that fraud was perpetrated upon it by a successful litigant" (322 U.S. at 239), had power to vacate its judgment rendered at a prior term of court and to direct the vacation of the District Court decree entered pursuant to the mandate of the appellate court. The judgment set aside in that case, to be sure, was a decree of injunction but the ground for the relief granted was not that its prospective operation would be inequitable because of changed circumstances occurring after the entry of the decree, but because of fraud on the court in procuring the judgment. No action in another court was involved and the express reservation in the saving clause of Rule 60(b), as later amended in 1946, of power "to set aside a judgment for fraud upon the court" must be exercised in the court in which the fraud was practiced. 7 Moore's *Federal Practice* (2d Ed.), sec. 60.33, p. 305.

It was in this context that the Court, in a portion of its opinion quoted by petitioners (Pet., pp. 16-17), reviewed the precedents denying finality to judgments where enforcement would be "manifestly unconscionable" and referred to alternative remedies affording such relief, including both ancillary proceedings in the issuing court and "original proceedings to enjoin enforcement of the judgment" (322 U.S. at 244-5). But in other language contained in the same portion of its opinion, omitted by petitioners, the Court also pointed out that these remedies were evolved because of a "need for correcting injustices which, in certain instances, are deemed sufficiently gross to demand a departure from rigid adherence to the term rule" (322 U.S. at 244), a rule which formerly limited the jurisdiction of the rendering court to set aside a judgment after the term in which it was entered, but which never limited the "inherent" jurisdiction of the issuing court to dissolve a decree of injunction because of changed conditions rendering its prospective enforcement inequitable.

3. There is no conflict between the decision below and that of the United States Court of Appeals for the Second Circuit in *Hadden v. Rumsey Products*, 196 F.2d 92 (C.A. 2, 1952), or that of the United States Court of Appeals for the Fourth Circuit in *Sayers v. Burkhardt*, 85 F. 246 (C.A. 4, 1898), on which petitioners rely (Pet., pp. 14-16).

In the *Hadden* case, judgment had been taken by confession in a federal district court in Ohio on *cognovit* notes, and the judgment was thereafter registered in a federal district court in New York pursuant to Title 28, *U.S.C.*, sec. 1963. The judgment creditor moved in the New York court for an order setting aside the judgment, alleging "duress, fraudulent misrepresentation, and concealment" and failure of the plaintiff's attorney to inform the Ohio court that the

defendant had asserted defenses to the notes. The Court of Appeals found it unnecessary to consider whether Rule 60 (b) permitted a motion in the court in which the judgment was registered, as well as in the court in which the judgment was entered (196 F.2d at 95). It held that under the saving clause of Rule 60(b) the New York court had power to grant relief in an independent action, and that although the entry of the judgment by the plaintiffs in conformity with the terms of the *cognovit* notes was not "a fraud on the court," a court of equity could grant relief in an independent action because of the allegations of "fraud in procuring the execution of the notes" consenting to the confession of judgment (196 F.2d at 96).

The court, to be sure, treated the motion as an independent action, but in so doing it nowhere held or even intimated that the grounds for relief by motion were the same as those for relief in an independent action. The court upheld the right to relief in an independent action, without referring to any grounds stated in Rule 60(b) for relief by motion and solely on the basis of precedents authorizing relief in an independent action (196 F.2d at 96, n. 10).

Where the requisites of valid service and federal jurisdiction are both present, the procedural distinction between a motion and an "independent action" may be disregarded as largely a matter of "nomenclature," and a pleading denominated as a "motion" may be treated as an "independent action," but only if the substantive grounds alleged for relief warrant "an independent action" on "established equitable principles." 7 Moore's *Federal Practice* (2d Ed.), secs. 60.37(2), 60.38(3), pp. 623-4, 642. In some cases, the grounds specified for a motion in Rule 60(b)(1)-(6) may be the same as those for an independent action under "established equitable principles," as where "accident, mistake, newly discovered evidence" or some types of "fraud" is alleged. *Id.*,

sec. 60.37(2), p. 625. But they are not alway so (*id.*, sec. 60.33, p. 509), and certainly are not, where, as here, the ground for relief alleged is that changed conditions render the prospective application of the judgment inequitable. See *supra*, p. 18. Nothing in the *Hadden* case conflicts with these principles in any way.

In the *Sayers* case, the court merely held an independent action would lie to set aside a judgment obtained by "fraud" (85 F. at 248). The judgment set aside, to be sure, was a decree in equity, but one forfeiting title to certain lands, apparently for alleged delinquency in payment of taxes, and the ground for setting aside the decree was not that its prospective application would be inequitable because of changed circumstances, but "fraud" in obtaining the judgment.

4. Petitioners' claim (Pet., pp. 17-21) that under the special "facts of this case" adequate relief is not available in the Minnesota court ignores settled principle and presents no question of general importance warranting review by this Court.

Proceedings for relief from a judgment by motion in the rendering court are ancillary in nature (*Milw. and Minn. R. Co. v. Soutter*, 2 Wall. (U.S.) 609, 633 (1865); *Pacific Railroad v. Missouri Pacific Railway*, 3 F. 772 (C.C.E.D. Mo., 1880, per Justice Miller)), and by order of that court all parties to the original proceeding or those in privity with them, including non-residents, may be served beyond the territorial limits of the court. 7 Moore's *Federal Practice* (2d Ed.), sec. 60.38(2), pp. 640-1. Such service in this case could thus be made by the Minnesota court on Tecnique of New Jersey, as assignee of the rights of LaMaur, Inc., under the Minnesota decree, if not on the parent corporation, Shulton, Inc. (*Butler v. Ungerleider*, 187 F.2d 238, 239 (C.A. 2, 1951)), and, though the parent corporation is not qualified to do

business in Minnesota (R. 164), it would not be a necessary party in any such proceeding. 9 Fletcher *Cyclopedia of Corporation* (Perm. Ed.), sec. 4473, p. 307. Although essentially the same arguments were set forth in respondents' brief in the court below, petitioners made no argument to the contrary in the brief which they filed in that court, and filed no reply brief or petition for re-hearing below. The court below, therefore, had no occasion to discuss this issue in its opinion, and did not do so.

In this Court, moreover, petitioners at most claim that it is "at least doubtful whether or not such a theory of ancillary jurisdiction could be sustained" (Pet., p. 18), without anywhere indicating the basis for such a doubt. Petitioners further claim that "Shulton was and is, in our view, the principal defendant and the two Tecnique corporations were and are mere instrumentalities" (Pet., p. 18), but nowhere assert that Shulton would be a necessary party to an ancillary proceeding against Tecnique of New Jersey on motion in the Minnesota court.[3]

Petitioners' statement that the former common law writs and bills of review would not provide a theory for relief (Pet., p. 19) is wholly beside the mark. The issuing court in Minnesota has "inherent" power, now expressly embodied in Rule 60(b)(5), to grant relief on the grounds alleged, as the court below pointed out (Pet. App., pp. 1, n. 1, 2-3).

5. The court below found it unnecessary to pass upon the decision of the District Court that Tecnique of New Jersey was an indispensable party and was not duly served by service on the parent corporation, Shulton, Inc. On the facts

---

[3]It may be added that if, as petitioners claim, Tecnique of New Jersey is the mere alter ego of the parent corporation, the conclusion would follow, not that Tecnique of New Jersey is beyond the reach of process issuing from the Minnesota court, but that the claimed corporate fiction could be disregarded, so as to permit service on the parent corporation by service on its subsidiary.

of this case, the decision of the District Court was plainly correct, moreover, and contrary to petitioners' contentions (Pet., pp. 21-35) presents no question of general importance warranting review by this Court.

The controlling principles are not in dispute. Tecnique of New Jersey, as the apparent owner of record of all rights under the Minnesota decree, was an indispensable party to an action in which its rights thereunder might be adversely affected (3 Moore's *Federal Practice* (2d Ed.), sec. 19.12, pp. 2171-2), and this notwithstanding that it was subject both to the "potential control" of the parent through "ownership of stock" and to the "actual control" of the parent by reason of members of the "boards of directors" and "executive officers" shared in common by the two corporations. *Niles-Bement-Pond Co. v. Iron Molders' Union*, 254 U.S. 77, 80-2 (1920). Tecnique of New Jersey, moreover, was not amenable to suit or service in the California court. It did no business in California (R. 160) and the attempted service on it by service on the parent corporation was ineffective, as the District Court held (Pet. App., pp. 9-10). The two corporations maintained separate corporate and financial records (R. 161), and the separate identity of the subsidiary could not be disregarded, though the parent corporation "dominates" the subsidiary "immediately and completely" and "exerts its control, both commercially and financially * * * through the same individuals" and the subsidiary has no separate manufacturing or other facilities. *Cannon Manufacturing Co. v. Cudahy Packing Co.*, 267 U.S. 333, 335 (1925); *Harris v. Deere & Co.*, 128 F. Supp. 799 (E.D. N.C., 1955), aff'd. 223 F.2d 161 (C.A. 4, 1955); *A. P. Bliss Co. v. United Carr-Fastener Co.*, 116 F. Supp. 291 (D.C., Mass., 1953), aff'd. 213 F.2d 541 (C.A. 1, 1954).

The jurisdictional facts, to be sure, were resolved by the District Court on affidavits (and the documentary evidence

relied on in the Petition, pp. 22-31) and correctly so in the circumstances of this case. Again, there is no dispute as to the controlling principles. Petitioners concede that, in general, jurisdictional facts on motion to dismiss for want of valid service may be resolved on affidavits (Pet., p. 33). And respondents have no quarrel with petitioners' claim that a plenary trial is required where the jurisdictional and substantive issues overlap and that, even in the determination of the jurisdictional issues alone, adequate opportunity should normally be afforded for pre-trial discovery in the exercise of a sound discretion (Pet., pp. 33-4).

The District Court, however, correctly found that the jurisdictional and substantive issues were separate and distinct in this case (Pet. App., pp. 15-16). The formal separation of the parent and subsidiary corporations, on which the jurisdictional issue turned, while real for purposes of service of process and joinder of parties (*Cannon Manufacturing Co. v. Cudahy Packing Co., supra; Niles-Bement-Pond Co. v. Iron Molders' Union, supra*), would afford no bar whatever to relief from the Minnesota decree on the merits if, as alleged, its prospective operation would be inequitable. *Cf. Anderson v. Abbott*, 321 U.S. 349, 361-3 (1944); *United States v. Yellow Cab Co.*, 332 U.S. 218, 227 (1947).

The claim that petitioners should have been allowed further discovery on the jurisdictional issues before the motion to dismiss was granted is equally without merit. No showing of any need for such discovery was made by petitioners before the District Court originally acted on the motion to

dismiss.[4] On petition for re-hearing under Rule 59, petitioners for the first time (cf. Rep. Tr., pp. 40-50, 67-72; with R. 236-241) filed an affidavit of their counsel claiming that in certain specifically designated instances Shulton, Inc. had in fact acted as the agent of Tecnique of New Jersey in doing business in California (Pet. App., pp. 12-17; R. 240-1), a claim which was controverted by a responsive affidavit of respondents (R. 270-1). But again petitioners gave no reason for their failure to make such claims before the motion to dismiss was decided, and the court below denied the motion for new trial without discussing the question whether further discovery was warranted (Pet. App., pp. 12-17). Cf. 6 *Moore's Federal Practice* (2d Ed.), sec. 59.04(13), p. 3727.

---

[4]Prior to the argument on the motion to dismiss, respondents had answered all of the interrogatories served by petitioners relating to the jurisdictional issues (R. 159); a notice to take the deposition of one of respondents' counsel was withdrawn (R. Vol. 2). At the argument the only issues mentioned by petitioners' counsel as requiring further pre-trial discovery were (1) whether, at the time of the assignment of the Minnesota decree by Tecnique of Minnesota to Tecnique of New Jersey, both corporations were, as petitioners claimed, wholly-owned subsidiaries of Shulton, Inc., a claim which, although controverted by one of respondents' affidavits, was conceded by respondents' counsel at the argument (Rep. Tr., pp. 64-5), and was immaterial in any case—the claim that intercorporate transfers between two wholly-owned subsidiaries are "without genuine substance or significance" (Pet., p. 22) hardly rises to the dignity of an argument; (2) whether the parent corporation "financed" Tecnique of New Jersey (Rep. Tr., p. 47), which was immaterial, if true (*Cannon Manufacturing Co. v. Cudahy Packing Co., supra*), and (3) whether Shulton, Inc. was an "agent" of Tecnique of New Jersey in California (Rep. Tr., p. 47), though petitioners could have demanded a hearing on oral evidence on this issue under Rule 43(e), *F.R.C.P.* and subpoenaed the resident agents of Shulton, Inc. to appear at the hearing, which petitioners neglected to do. Thereafter, in their memorandum in opposition to the motion, petitioners, while claiming that respondents had opposed any discovery, asserted that "there are sufficient facts in the papers filed in this proceeding and in the public records" to support their position that Tecnique of New Jersey was the alter ego of Shulton, Inc. (R. 214), and neither made any claim therein that decision should be deferred until such discovery was had or cited any authorities to support such a claim. The District Court quite properly, therefore, granted the motion to dismiss without referring in any way to petitioners' claim that further discovery should have been allowed (Pet. App., pp. 9-11).

CONCLUSION

For the foregoing reasons, it is respectfully submitted that this petition for writ of certiorari should be denied.

Respectfully submitted,

LEONARD, STREET AND DEINARD
By: MELVIN H. SIEGEL
818 Farmers and Mechanics Bank Bldg.
Minneapolis, Minnesota 55402
Attorneys for Respondents

Dated: This 16th day of September, 1964.